

**Testimony of the USA Rice Federation
And the U S Rice Producers Association**

**By
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Vice Chairman of USA Rice Council
Before
The Committee on Agriculture
U.S House of Representatives
Review of Iraqi Agriculture: From Oil for Food
To the Future of Iraqi Production
Agriculture and Trade
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Introduction

Mr. Chairman and members of the Committee, my name is John King. I am a rice and soybean farmer from Helena, Arkansas. I am testifying today on behalf of both the USA Rice Federation and the U S Rice Producers Association. The USA Rice Federation's Charter Members include the USA Rice Council, USA Rice Producers' Group, and the USA Rice Millers' Association. I currently serve as Vice Chairman of the USA Rice Council and I am a member of the Board of Directors of both the USA Rice Producers' Group and the USA Rice Federation.

I am pleased to appear before the Committee today on behalf of the rice industry. On a personal note, I will share with you how excited and honored I am to testify before Congress for the first time.

Background

Rice production and marketing is a multi-billion dollar activity in the United States. Rice is produced on over 3 million acres in the U.S. and accounts for \$1.4 billion in farm revenues. The U.S. rice industry exports 50 percent of its crop to markets around the world. The economic health of U.S. rice farmers and the rice-milling sector is tied to maintaining and expanding access and sales in foreign markets.

The U.S. rice industry wants to play a major role once again in supplying rice to Iraq. With the current challenges facing the U.S. rice industry, particularly in the milling sector, renewed Iraq market access could have a tremendous impact in value added sales and enhanced economies in rural America.

In the late 1980s, Iraq was the number one market for U.S. rice. The United States provided nearly 90% of Iraq's rice imports, which totaled over 500,000 metric tons in

peak years. In 1991, the U.S. government imposed export sanctions and this market was lost. Rice is no stranger to this situation as Cuba and Iran were also once top export markets ultimately lost to government-imposed sanctions. The impact of losing our number one export market had a significant negative impact on the U.S rice industry and a positive impact on the rice industries of major competing rice export countries, primarily Vietnam and Thailand.

U.S. Embargo on Iraq Adversely Impacts U.S. Rice Exports

From 1980 to 1990 the United States accounted for about 80% of Iraq's total rice imports. As a result of the embargo on exports to Iraq, and based on the U.S. share of Iraq's rice market in the 1980s, we estimate that the United States lost about \$1.9 billion in rice export sales to Iraq from 1991-2003 (Table 1).

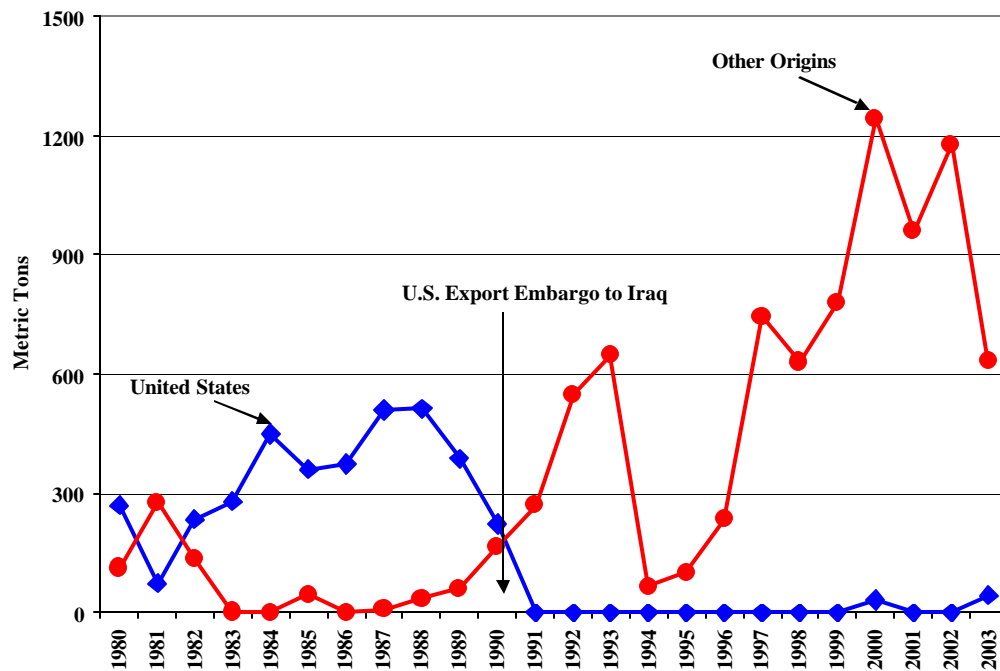
Table 1. Estimated U.S. Rice Export Losses to Iraq from Embargo (1,000 MTs)

Year	1,000 Metric Tons	\$Million
1991	215	76
1992	439	161
1993	518	176
1994	51	19
1995	79	30
1996	187	71
1997	596	220
1998	504	170
1999	624	213
2000	1,020	270
2001	768	184
2002	943	191
2003	538	124
1991-2003 Total	6,482	1,905
1991-2003 Avg.	499	147

Note: Average export prices used in calculation from FAO & U.S. Bureau of Census export data.

From 1991-2003, U.S. rice competitors dramatically expanded sales to Iraq (Chart 1). Thailand, China, and Vietnam are now important exporters to Iraq, and the Iraq market has helped support production in the competitors of the United States.

**Chart 1. Iraq Rice Imports from the United States
and Other Origins
1980-2003**



Current Market Conditions

The liberation of Iraq in 2003 by Coalition forces has brought freedom to the Iraqi people. The resumption of trade has also provided hope to the U.S. rice industry. We are anxious to restore our trading ties with the people of Iraq. The Iraq market has grown from about 550,000 metric tons in 1991 to about 1.1 million metric tons in 2004. USDA estimates that Iraq will need to import over 1 million tons of rice per year for several years.

In the summer of 2003, following the war, USDA shipped over 40,000 metric tons of U.S. rice via food aid to the people of Iraq. This was the first significant shipment of U.S. rice to the region in over 14 years. Unfortunately, it remains the only U.S. rice that has entered the region since the liberation. We understand that there are no plans for major food aid programs into Iraq. However, given the potential unstable environment facing Iraq during the upcoming transition of power, we stand ready to supply rice to any targeted food aid efforts that may be required to help vulnerable groups.

While we would welcome the opportunity to assist in providing rice as part of U.S. food aid to Iraq, we are more interested in re-establishing long-term commercial trade between the U.S. rice industry and Iraq.

Oil for Food

The Oil for Food Programme, administered by the United Nations, was the main source of Iraq's food supply from 1991-2003 following the first Gulf War. A small amount of U.S. Rice was shipped to Iraq under this program in 2000. Rice supplied for Iraq under the Oil for Food Programmed was exhausted in the spring of 2004 after the Oil for Food Programme was terminated. The U.S. rice industry was hopeful that the Coalition Provisional Authority would turn to the United States or other coalition partners for its food supply when commercial tenders resumed. Unfortunately this did not occur as the first non-Oil for Food tender of 70,000 metric tons was granted to Vietnam in March of 2004. Subsequent tenders were awarded to Thailand totaling over 300,000 metric tons.

Table 2. Iraq's Rice Production, Imports, and Consumption, 1980-2004 by 5-year averages

(All figures are in 1,000 metric tons and on a milled basis)

	1980-84 avg	1985-89 avg	1990-94 avg	1995-99 avg	2000-04 est
Production	98	115	158	175	85
Imports	370	454	325	732	1,002
Imports from U.S.	279	401	0	6	8
Consumption	464	554	503	828	1,166
Import share of consump.	80%	82%	65%	88%	86%
U.S. share of imports	75%	88%	0%	1%	1%
Primary Supplier	U.S.	U.S.	Vietnam, Thailand	Vietnam, Thailand	Vietnam, Thailand

Market Access Development

Re-establishing a viable commercial trading relationship between the U.S. and Iraq must be the goal of rice producers, processors, exporters, and the federal government. To help facilitate this, leaders from the U.S. rice industry traveled to Amman, Jordan, in February 2004, to meet with members of the Iraqi Grain Board in an effort to restore a trading relationship between the two countries. During his opening comments at the start of the summit, Iraq's Minister of Trade Director Ahmad Al-Mukhtar said the Iraqi people have good memories of past purchases of high quality U.S. rice. The summit attendees discussed technical information about grades and trade specifications, delivery time periods and delivery destinations preferred by Iraq. A follow up meeting between Iraq officials and the U.S. rice industry was recently postponed, but we are hopeful that it will be rescheduled soon.

Market development will be vitally important in the months and years to come as U.S. agriculture attempts to re-establish its markets in Iraq. For this reason, we urge this Committee to stress the importance of the Market Access Program (MAP) and Foreign Market Development (FMD) Program to the appropriators as the spending bills are prepared for fiscal year 2005. It is imperative that Congress provides full funding for MAP and FMD at levels authorized in the 2002 Farm Bill, if sufficient funds are to be available to meet current needs and re-establish our markets in Iraq.

It is critical that GSM export credits be made available for exports to Iraq as soon as possible. Some in the Administration have suggested that no new GSM-102 financing can be provided to Iraq since the former regime is in arrears. However, it is our understanding that under current law having an outstanding debt or a rescheduling arrangement does not preclude USDA from offering a country new GSM-102 credit. There is no statutory impediment to prevent the Department from offering a GSM credit program to Iraq. Given this situation, we strongly recommend that the USDA announce its intention to establish a program for GSM-102 credit for Iraq as soon as possible. This credit package is a critical component to helping the U.S. rice industry rebuild its presence in this major market.

We are sympathetic to the need to address Iraq's outstanding debt to the United States, and we are committed to providing whatever assistance we can to accomplish this goal. But, we are of the strong opinion that Iraq's debt issues can and should be addressed concurrent with the provision of new GSM credits. The extension of credit does not need to, and should not be postponed until the existing debt issues are addressed. The future prosperity of U.S. agriculture should not be jeopardized by debts piled up by the Saddam Hussein regime.

Conclusion

In summary Mr. Chairman, Iraq was a top export market for the U.S. rice industry in the past, and we hope it will be again. We urge Congress to support market development programs to help us rebuild relationships in Iraq, and we seek GSM credit assistance to facilitate future sales.

Thank you again for the opportunity to testify here today. I would be pleased to address any questions that you may have.